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May 11, 2017

Ex Parte

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: AT&T Petition for Forbearance from Certain Rules for Switched Access Services and Toll Free Database Dip Charges, WC Docket No. 16-363, and Petition for Declaratory Ruling Regarding Applicability of the IntraMTA Rule to LEC-IXC Traffic, WC Docket No. 14-228.

Dear Ms. Dortch:

On May 9th, Kim Meola, Jack Habiak, Hal Thompson, Christi Shewman and I, on behalf of AT&T, met with Lisa Hone, Eric Ralph, Pam Arluk, Irina Asoskov, Greg Capobianco, Victoria Goldberg, William Kehoe, Edward Krachmer, Joseph Price, Doug Slotten, and Gil Strobel of the Wireline Competition Bureau. We discussed AT&T's perspective on and analysis of the current switched access market, AT&T's pending forbearance petition, and the Petition for Declaratory Ruling regarding Applicability of the IntraMTA Rule to LEC-IXC Traffic, in the above-captioned dockets.

AT&T presented the attached slide deck and discussed the positive effects of the Commission's 2011 *USF/ICC Transformation Order* and further discussed how opportunities for arbitrage and marketplace inefficiencies yet remain. AT&T agrees with commenters who expressed support for a broad rulemaking but, in the absence of further action to complete intercarrier compensation reform, AT&T believes that the statutory test for forbearance is satisfied and the Commission must grant the relief requested in AT&T's petition. Moreover, reducing access stimulants' uneconomic activities and the resulting marketplace distortion increases broadband investment, creates incentives for carriers to engage in market-based negotiations for commercially reasonable terms, and furthers the transition to all IP-based networks.

AT&T also discussed the pending Petition for Declaratory Ruling regarding Applicability of the IntraMTA Rule to LEC-IXC Traffic. Consistent with its comments in the proceeding, AT&T reiterated its view that the Commission should clarify whether its rules categorically bar access charges on IntraMTA traffic exchanged by IXC's and LEC's or whether the Commission's rules permit access charges to be assessed in the absence of an interconnection agreement and information necessary to properly bill IntraMTA calls. AT&T believes the FCC should make clear in any such ruling that the consistent industry practice of billing and paying access for that traffic in the past did not violate the rules and provides no basis for liability or refunds.

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Moreover, this is yet another example of an issue that could be resolved by completing comprehensive intercarrier compensation reform.

If you have any questions or need additional information, do not hesitate to contact me.

Sincerely,

Matt Nodine

cc: Lisa Hone
Eric Ralph
Pam Arluk
Irina Asoskov
Greg Capobianco
Victoria Goldberg
William Kehoe
Edward Krachmer
Joseph Price
Doug Slotten
Gil Strobel

AT&T Forbearance Petition Ex parte

May 9, 2017

AGENDA

- 2011 Transformation Effects
- Background
- Tandem Switching Rate
Forbearance
- Overview
- What's Happened since ICC Order
- Access Stimulation
- Mileage Pumping
- 8YY Database Query Rates
- Aggregated 8YY Call Flow

2011 Transformation Effects

- ❖ The FCC wisely and appropriately reformed terminating access and reduced incentives for arbitrage.
 - Increased market discipline.
 - Reduced the number of carriers engaged in access stimulation and arbitrage, beginning to constrain some access stimulators.
 - Allowed for hundreds of millions of dollars annually to be cleared for broadband investment.
- ❖ The FCC determined that a “uniform national bill-and-keep framework” would be the “ultimate end state” for all telecommunications traffic exchanged.
- ❖ For many carriers, terminating end office switching rates complete the bill-and-keep transition on July 1, 2017.

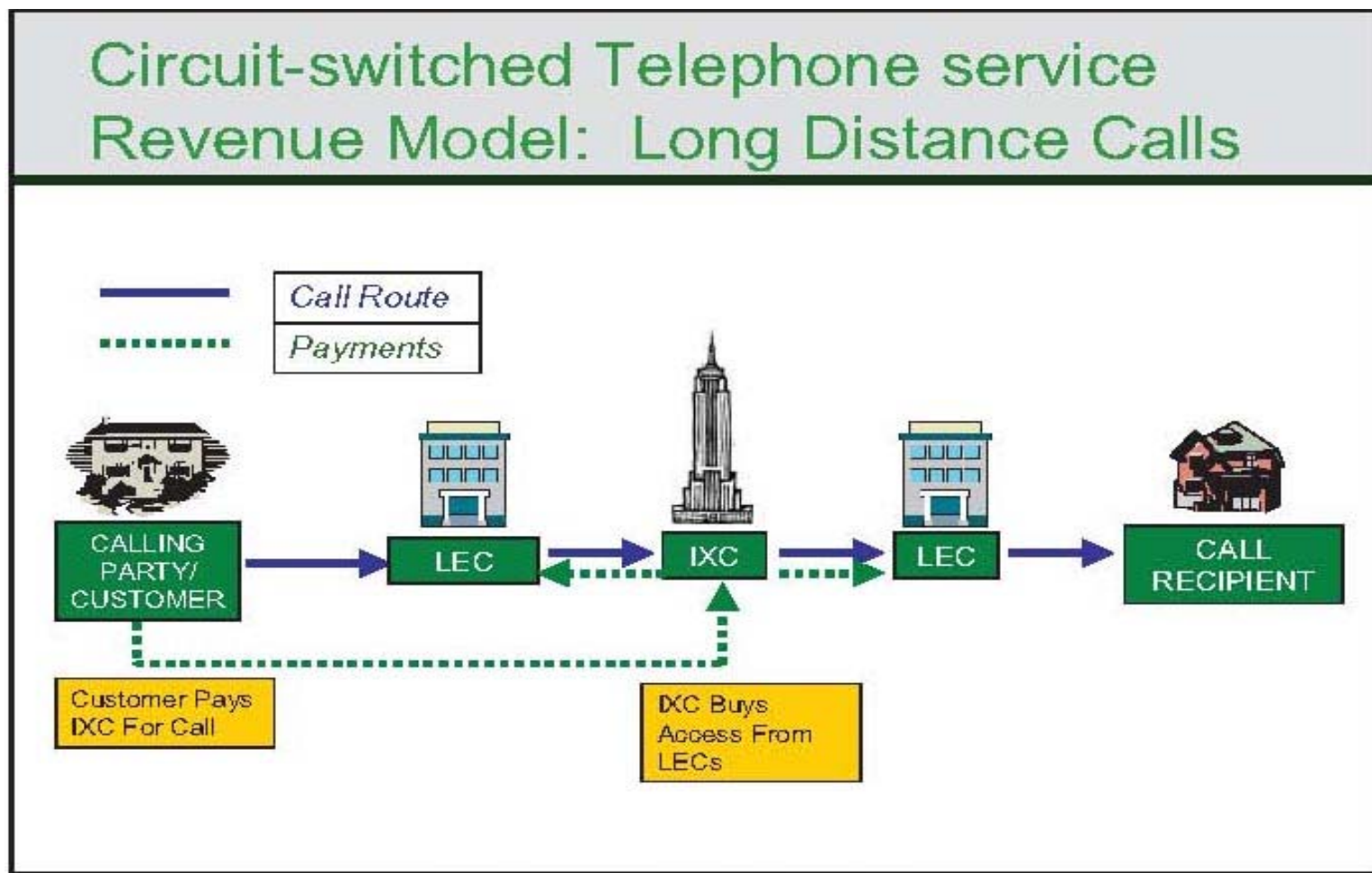
Background

- ❖ In September 2016, AT&T filed a narrowly tailored forbearance request that addresses two limited areas asking the Commission to:
 - Forbear from the tariffing of access charges for tandem switching and tandem-switched transport for all LECs, including intermediate LECs, on all calls to or from LECs engaged in access stimulation.
 - Forbear from its rules allowing LECs to assess per query database dip charges on toll-free calls.
- ❖ AT&T's narrowly tailored petition addresses two regulatory shortfalls that promote unreasonable rates, harm consumers, reduce broadband investment and are generally inconsistent with the public interest.
- ❖ These two requests rely on a simple premise: consumers benefit when carriers offer competitive services at competitive rates.

Tandem Switching Rate Forbearance

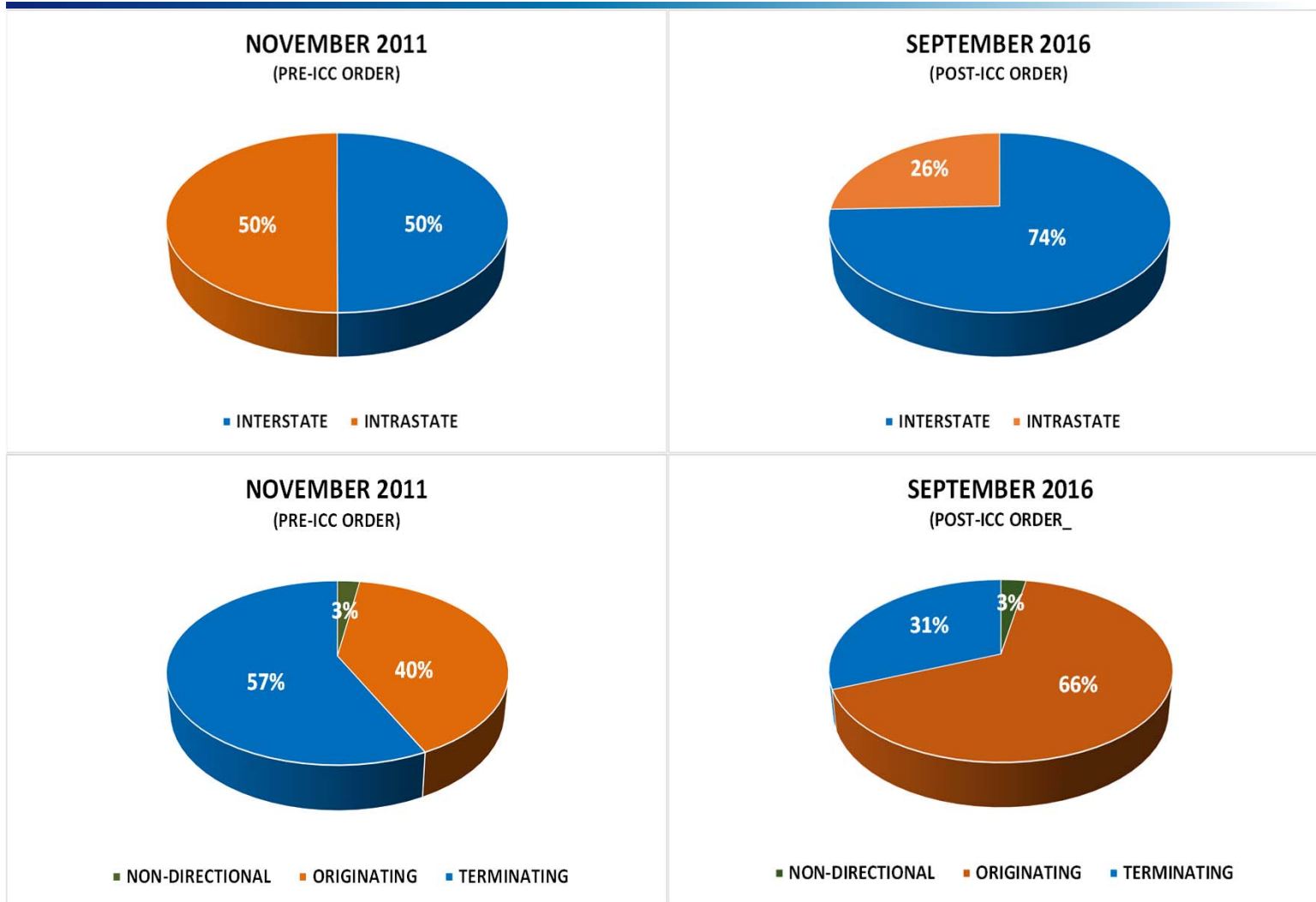
- ❖ AT&T's forbearance request is a logical follow-on to the Commission's determination.
- ❖ The scope of the tandem forbearance request is simple and elegant: reduce access stimulators' uneconomic activities and the resulting marketplace distortion.
- ❖ Access stimulators continue to rely on inflated transport charges to replace revenues reduced by the 2011 reforms.
- ❖ The Commission has already determined that access stimulation causes unreasonable access rates, harms consumers, and injures competition – as well as diverts capital from broadband expenditures.

Overview: Switched Access Service



<http://www.econtech.com/newsletter/img/icc1big.jpg>

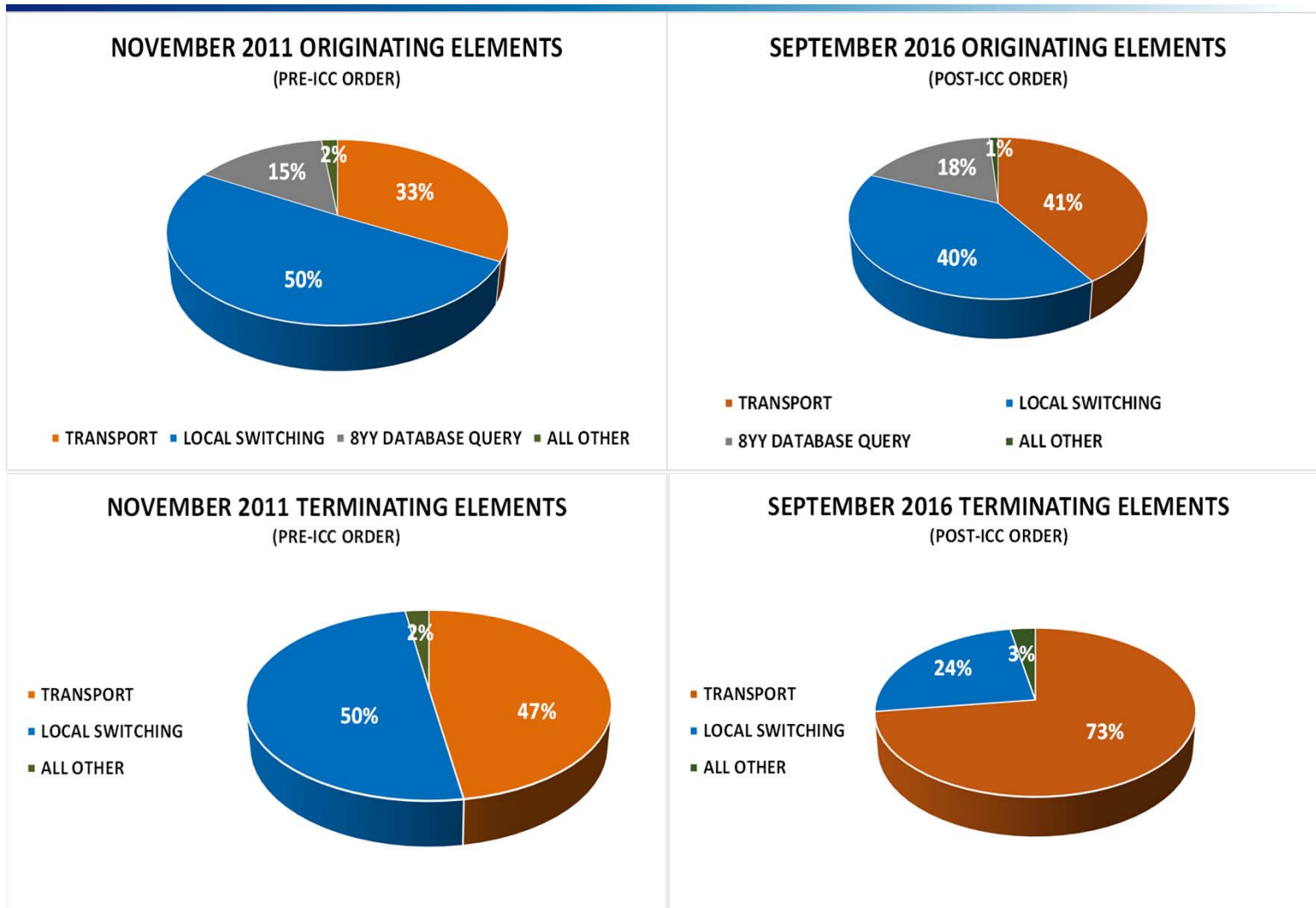
What's Happened Since the Transformation Order: The mix of AT&T access expense has shifted from a balance across jurisdictions to weighted to Interstate and from mostly terminating to originating



Note: total AT&T IXC switched usage expense (non-affiliate)



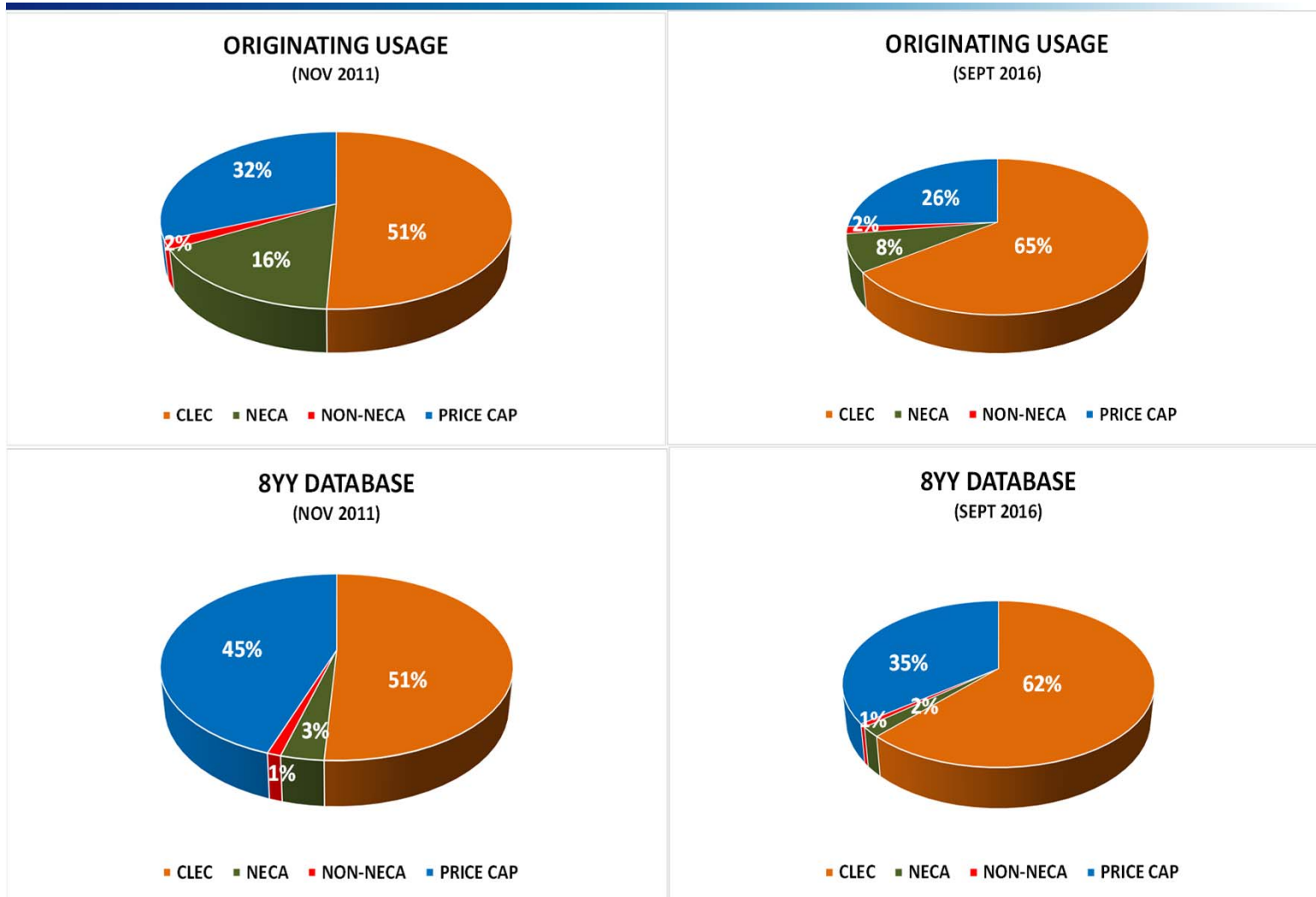
Terminating End Office charges have been reformed, while the proportion of Transport and 8YY Database charges are trending higher



Note: AT&T IXC originating and terminating switched usage expense (non-affiliate)



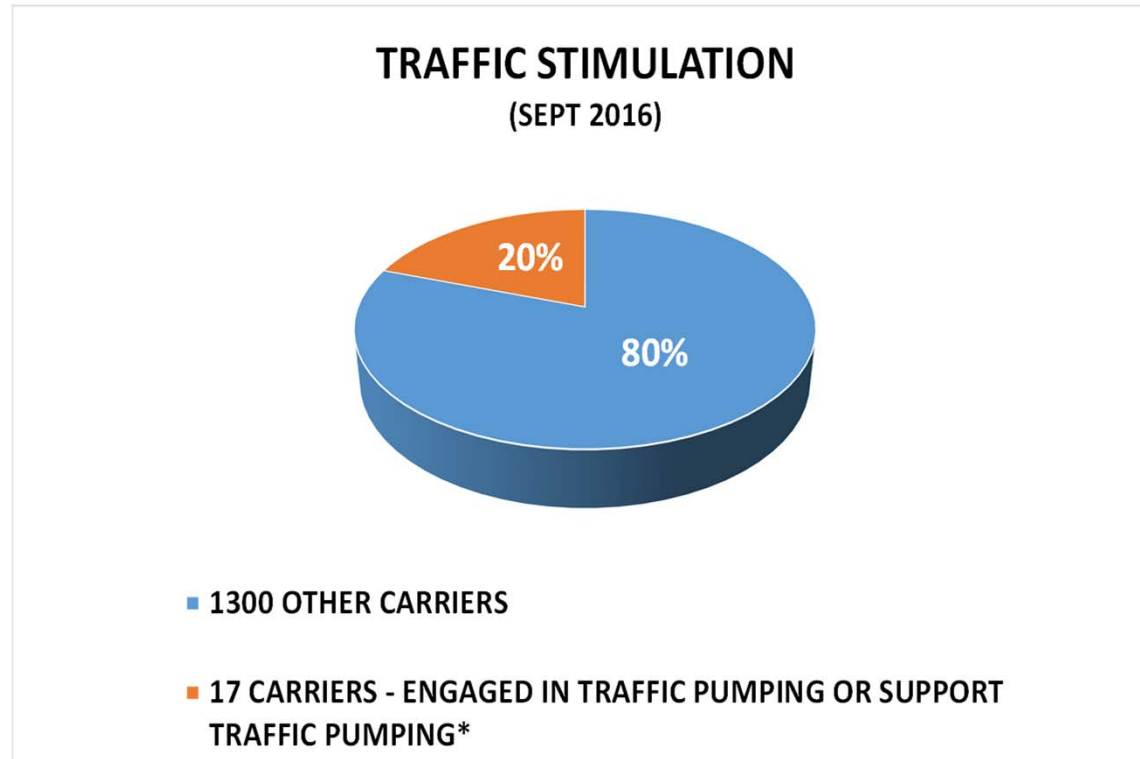
Post Transformation Order, there's a significantly higher proportion of Originating traffic, including 8YY Database Queries carried by CLECs



Note: AT&T IXC originating switched usage expense (non-affiliate)



Access Stimulation: Continues to be a significant issue



Note: IXC terminating switched usage expense

*% of spend is considerably higher when including carriers that deny traffic pumping

How AT&T Identifies Carriers Engaged in Access Stimulation

- Carriers self-identify; file lowest price-cap tariff
- AT&T monitors network traffic and measures against criteria
 - Terminating: Originating is greater than 3 to 1
 - Year-Over-Year Increase in minutes for the month exceeds 100%
- Validation is performed by AT&T Global Fraud Team
 - Analyze patterns of abuse
 - Long duration calls
 - Calls to invalid Toll Free numbers

DECEMBER 2016					
	State	Current Month Terminating Minutes of Use	Terminating: Originating Ratio	Total Originating & Terminating MOU Year Over Year Change	Next Steps
CARRIER A	IN	1,044,206	3.21	14.7%	Monitor
CARRIER B	SC	2,474,949	7.19	44.7%	Monitor
CARRIER C	TX	3,833,831	4.18	116.2%	Monitor

Note: States listed are not linked to any corresponding carrier; used for illustrative purposes only



If the access stimulation criteria have been met, request analysis

GFMS Analysis - Carrier X - Jun 2016

Category	Total	% of total
CONFERENCE NUMBER	31,961,752	39%
CHAT LINE NUMBER	12,319,514	15%
OTHER NUMBERS	2,547,608	3%
CALLING CARD NUMBERS	0	0%
RADIO / PRAYER LINE	1,975,791	2%
<i>All Others</i>	32,416,315	40%
TOTAL	81,220,979	100%

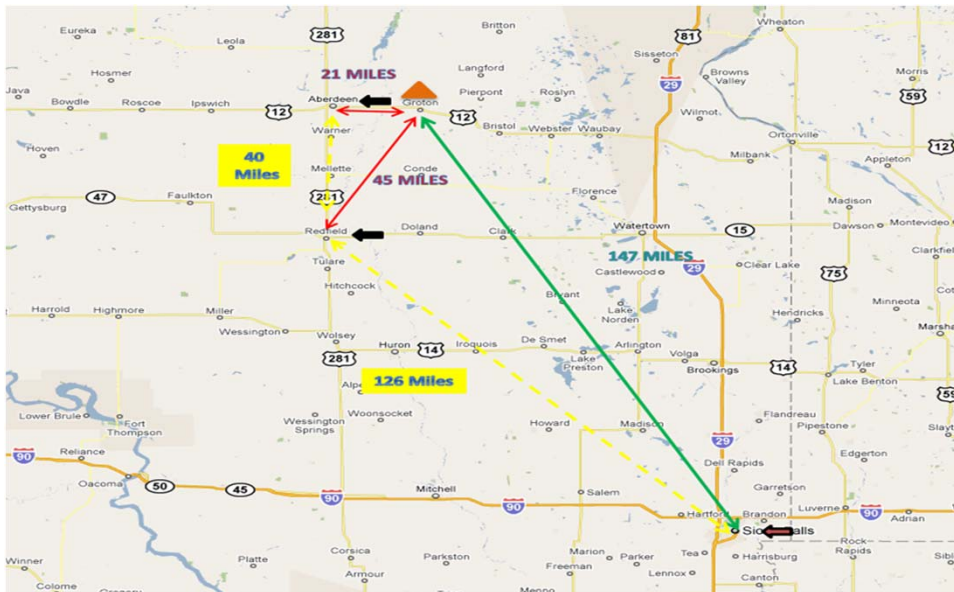
Observed that 39% of the total minutes terminated to Conference numbers.

Terminating Number	Messages	Minutes	Answered	Unanswered	Dial Result 07/12/2016
TOTAL	827,374	27,033,870	816,931	10,440	
xxx-xxxxxxx	197,012	5,824,609	194,250	2,761	Welcome this service is provided by freeconferencecall.com please enter your access code followed by the pound sign
xxx-xxxxxxx	180,497	5,278,813	178,103	2,392	Welcome this service is provided by freeconferencecall.com please enter your access code followed by the pound sign
xxx-xxxxxxx	151,374	4,965,059	150,703	671	At xxx-xxxxxxx; welcome to the free chatline, the oldest and busiest chatline in America , to block your access to our service contact the phone company at xxx-xxxxxxx
xxx-xxxxxxx	119,357	3,692,560	117,806	1,551	This service is provided by freeconferencing.com please enter your access code followed by the pound; this menu will repeat
xxx-xxxxxxx	10,828	1,955,048	10,230	598	chatline (Spanish)
xxx-xxxxxxx	37,049	1,783,823	35,469	1,580	You will now be placed into the conference; if you are the moderator please press one otherwise please hold to be placed into the conference; Asian language speaking male
xxx-xxxxxxx	54,485	1,595,317	53,976	509	Thank you for using ConferenceTown.com please enter your conference ID followed the # sign
xxx-xxxxxxx	47,242	1,014,565	46,974	268	BBC Radio
xxx-xxxxxxx	12,911	459,384	12,852	59	Welcome to the prayer line of the Shadow of Almighty Ministries Prayer and Deliverance Church, Jesus is lord if you are the moderator please press 1 otherwise please hold to be placed into the conference
xxx-xxxxxxx	16,619	464,693	16,568	51	To block this number call xxx-xxxxxxx. Chicago Raven, if you've got some minutes to blow blow them with us.... (chatline)

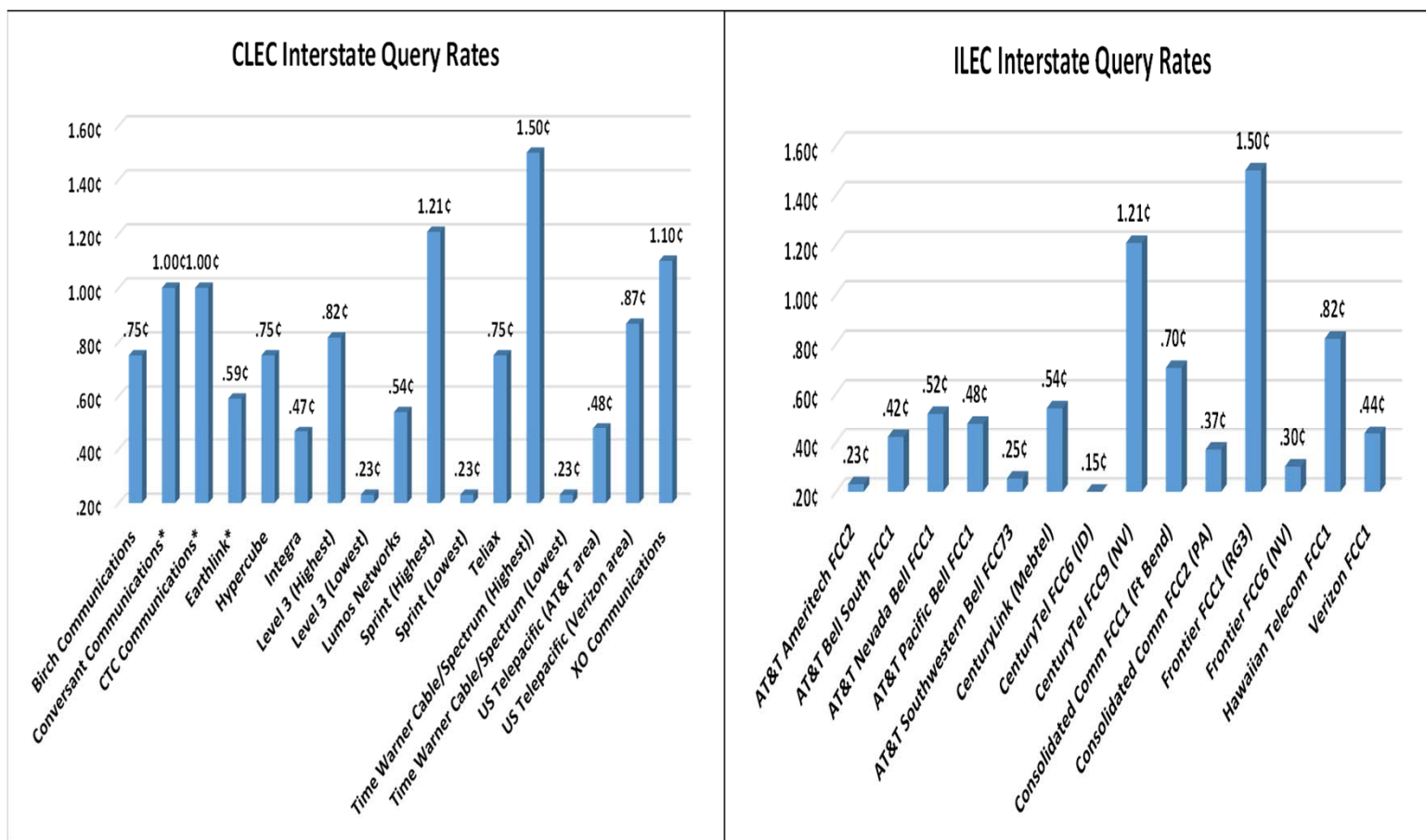
Mileage Pumping: If direct connects are not allowed, mileage charges are increased

Due to high transport costs, including mileage, carriers are incented to establish facilities in rural or hard-to-reach locations

From Transformation Order ... the record contains allegations of “mileage pumping,” where service providers designate distant points of interconnection to inflate the mileage used to compute the transport charges.



8YY Database Query Rates: Absent reform to bill-and-keep, there is a wide variability in the query rates assessed by carriers of 8YY Database traffic



Source: current Interstate tariffs

*Affiliates of EarthLink

Aggregated 8YY Call Flow

